

TAX ACTIONS FROM THE 2019 LEGISLATIVE SESSION

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MAJOR FINANCE BILLS THIS SESSION

ENACTED INTO LAW

- SB 56: Revenue Laws Technical Changes
- HB 537: Alt. Hwy Use Tax Vehicle Subscriptions
- SB 523: Revenue Laws Clarifying & Administrative Changes
- SB 498: Facilitate Response to Disasters
- HB 399: Extend Tax Credits/Other Finance Changes
- SB 557: Various Finance Law Changes

STILL AROUND

Vetoed By Governor

- SB 578: Reduce Franchise Tax
- HB 966: 2019 Appropriations Act (Part XLI)

In Conference

- SB 681: Local Sales Tax Flexibility

BILLS ENACTED INTO LAW

Some early on ...
Some just recently

REVENUE LAWS TECHNICAL CHANGES

- IRC Update January 1, 2019
- Codification of the Wayfair thresholds for sales tax collection and remittance
- Technical Changes requested by Department of Revenue





ALT. HWY USE TAX VEHICLE SUBSCRIPTIONS

- Alternative highway use tax rates vary depending upon the length
 - Long term lease, 3% tax rate
 - Short term lease, 8% tax rate
- Vehicle subscription service – which is it?
- Department of Revenue had previously ruled that a vehicle subscription represents a short-term lease and is subject to the higher tax rate.
- This law defined the term “vehicle subscription service” and created a new, separate 5% tax rate.

REVENUE LAWS CLARIFYING & ADMINISTRATIVE CHANGES

- Clarifies that counties must wait at least one year between referenda on the issue of levying the 1/4 cent local option sales tax.
- Expands the digital property sales tax by eliminating the requirement that an item have a taxable, tangible corollary in order to be taxable.
- Exempts from sales tax “limited-service vehicle washes.”
- Exempts from sales tax the sales of equipment used in cutting, shaping, polishing, and finishing slabs of natural and engineered stone sold to a company selling made-to-order countertops, walls, or tubs.

REVENUE LAWS CLARIFYING & ADMINISTRATIVE CHANGES (CONT'D)

- Exempts from sales tax certain incontinence supplies when those supplies are paid by the State's Medicaid program.
- Regulates the online sale of tobacco products, other than cigars.
- Provides that repair, maintenance, and installation (RMI) services supplied by a real property manager under a property management contract are subject to sales and use tax in the following circumstances:
 - RMI services are provided at additional charge.
 - Real property manager arranges third party to provide RMI services and imposes additional contract amount or charge for arranging these services.
 - More than 25% of the time spent managing the property for the billing or invoice period is attributable to taxable RMI services.

FACILITATE RESPONSE TO DISASTERS

- Excludes a nonresident business or nonresident employee from income, franchise, and unemployment insurance tax as well as business registration requirements when:
 - The business or employee comes into the State at the request of a critical infrastructure company
 - The business or employee has no other income attributable to this State
- Allows the Secretary of Revenue to issue a temporary license to an importer, exporter, distributor, or transporter of motor fuel in response to a disaster declaration

EXTEND TAX CREDITS/OTHER FINANCE CHANGES

- Income exclusion for IRA distributions to charities by taxpayers age 70 ½ or older
- Deduction for amounts received as economic development grants from JDIG, JMAC, and OneNC
- Extend historic rehabilitation tax credit
- Expand the mill rehabilitation tax credit
- Extend sales tax exemptions or refunds for:
 - Qualifying airlines
 - Professional motorsports teams
- Extend for 10 years the dry cleaning solvent tax and the corresponding funds transfer to the Dry Cleaning Solvent Cleanup Fund.
- Sets the insurance regulatory charge for the 2020 calendar year.

VARIOUS FINANCE LAW CHANGES

- Increase standard deduction to \$21,500
 - Reduces individual income tax liability by up to \$79 for joint filers.
- Expand definition of “holding company”
- Use market-based sourcing for multistate income tax apportionment
 - NC fully phased in single sales factor apportionment in 2018, providing a market-based calculation for companies that sell goods.
 - This enacts a market-based calculation of the sales factor for companies that provide services.

VARIOUS FINANCE LAW CHANGES (CONT'D)

- Marketplace Facilitator Sales Tax Language:
 - From a sales tax perspective, there are two types of online retailers.
 - “Marketplace facilitators” don’t own and sell items, but facilitate sales between two unrelated parties (e.g., eBay, Etsy, Amazon’s marketplace).
 - After *South Dakota v. Wayfair, Inc.*, the North Carolina Department of Revenue required online retailers that met certain criteria and thresholds to calculate, collect, and remit sales taxes.
 - North Carolina Department of Revenue needed additional statutory language to require marketplace facilitators that meet the same thresholds to calculate, collect, and remit sales tax on third-party seller’s behalf.